Grant Thornton

GRANT THORNTON LLP
Grant Thornton Tower
171 N. Clark Street, Suite 200
Chicago, IL 60601-3370

D +1 312 856 0200
S linkd.in/grantthorntonus
X.com/grantthorntonus

July 20, 2026

Office of the Secretary
Securities and Exchange Commission
100 F Street NE
Washington, DC 20549-1090

Re: File Number S7-2026-18

Proposed Rule on Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies

Dear Office of the Secretary:

Grant Thornton LLP appreciates the opportunity to comment on the Securities and Exchange Commission's (SEC's or Commission's) *Proposed Rule on Enhancement of Emerging Growth Company Accommodations and Simplification of Filer Status for Reporting Companies*. We are providing our firm's perspective on this proposal gained primarily from serving public companies as independent accountants, including interaction with the SEC staff in this capacity.

Executive summary

In preparing our comments, we recognize the Commission's objective of simplifying reporting requirements and reducing reporting burdens on companies by (1) streamlining the filer status into two categories—large accelerated filers (LAFs) and non-accelerated filers (NAFs)—and (2) extending the accommodations currently available to smaller reporting companies (SRCs) and emerging growth companies (EGCs) to all NAFs. These changes would include removing the auditor attestation requirement for internal control over financial reporting (ICFR) under Section 404(b) of the Sarbanes-Oxley Act for all NAFs.

We broadly support the SEC's efforts to simplify the filing statuses given the existing overlap and complexity in such determinations. However, we respectfully request that the Commission consider our observations discussed in this letter, which are intended to ensure that investors continue to receive material information on a timely basis for making investment and voting decisions.

From our perspective as independent accountants, our comments focus on the following themes:

- Amendments to the public float computation to reduce the impact of short-term volatility on filing status determination
- Importance of ICFR and the related auditor attestation in maintaining trust in capital markets
- Potential impact of a significant reduction in integrated audit engagements on auditor choice
- Diversity in financial statement presentation and lack of comparability among peer groups, resulting from the use of scaled disclosure alternatives that would be available to a larger group of issuers

We encourage the SEC to conduct additional outreach, especially with investors, to determine how the use of scaled disclosure alternatives and other EGC accommodations, as well as the exemption from auditor attestation of ICFR for approximately 81 percent of all issuers,[1] would impact investors' ability to make informed investment and voting decisions.

Filer status determination

The proposal would streamline the overlapping filer status framework, resulting in two primary categories for issuers that file on domestic forms:

- LAF status would be revised to increase the public float threshold from $700 million to $2 billion and the seasoning requirement to have been reporting under the Securities Exchange Act of 1934 (Exchange Act) from 12 to 60 months. As such, a company would only become an LAF if its public float is $2 billion or more for two consecutive years and it has been an Exchange Act reporting company for at least 60 consecutive months.
- NAF status would be defined as any issuer that is not an LAF. An NAF would become an LAF when the criteria noted above are met.

Public float determination

We support the proposed amendments with respect to computing public float based on the average closing price for each of the last 10 trading days in the second fiscal quarter, as well as requiring that companies either meet or do not meet the threshold for two consecutive years to enter or exit LAF status. We believe that these proposed amendments would address the risk of unexpected shifts in filer status due to market volatility over a short period of time.

Internal control over financial reporting

As noted in the proposal, the amendments would result in an estimated 19.2 percent of current issuers remaining LAFs that will continue to require an independent

[1] Sections II.B and IV.B.2 of the proposed rule.

auditor's ICFR attestation annually. In comparison, approximately 46 percent of current issuers are subject to such attestation requirement.

Importance of ICFR and related auditor attestation

We believe that high-quality financial reporting, including an effective internal control structure, is critical to the strong foundation for capital markets in the United States. As noted in the proposed rule, the ICFR auditor attestation requirement has benefits for investors, such as enhancing the reliability of management's disclosures related to ICFR and helping a registrant identify a significant deficiency or identify and disclose a material weakness in ICFR that had not been recognized or properly characterized by management.

Further, several comments submitted in response to the 2019 proposal, *Amendments to the Accelerated Filer and Large Accelerated Filer Definitions*, indicated that effective ICFR generally, and the ICFR auditor attestation requirement more specifically, enhances transparency; increases the quality and reliability of issuers' financial statements, corporate governance, audits, and analyst forecasts; and reduces the number of issuers' restatements, misstatements, the instances of fraud, and occurrences of insider trading.

In 2013, a GAO study[2] noted that auditor attestation of ICFR generally has a positive impact on investor confidence. Further, in 2025, a GAO study[3] noted that this attestation is viewed as providing reasonable assurance about the effectiveness of companies' internal controls and the reliability of their financial reporting, as demonstrated by fewer restatements. The study also recognized that several audit committee members noted that auditor attestation instills rigor and discipline over internal controls, raising investor confidence.

Consistent with the 2013 GAO study, a report published by Ideagen Audit Analytics[4] in May 2026 indicates that issuers exempt from ICFR attestation have higher restatement rates. For instance, in 2024 and 2025, NAFs, as currently defined, accounted for 70.2 percent and 62.6 percent of total restatements, respectively.

Compliance costs

From a compliance cost perspective, the 2025 GAO study indicated a median increase of $219,000 (13 percent) in audit fees in the year a company was first required to comply with the SOX 404(b) attestation requirement. The study concluded that the increase was likely attributable in part to increased SOX 404(b) compliance costs. Further, the audit fees generally leveled off in the year after transition. This incremental cost is expected to be a small fraction of the revenues and overall costs for most of the newly exempt companies.

---

[2] GAO 13-582.

[3] GAO 25-107500.

[4] https://www.ideagen.com/resources/whitepapers/financial-restatements-report-may-2026.

Adverse effect on auditor choice

The proposed amendments would result in a significant decline in the number of accounting firms that will be performing integrated audits of financial statements and ICFR. As such, based on current data, there would likely be only 6 firms that will perform integrated audits for 10 or more issuers. Maintaining ICFR audit capabilities requires significant investments in technology, skills development, training, and quality monitoring processes. A significant reduction in the number of integrated audit engagements creates a risk that the economics for several firms would be difficult to maintain, which in turn could drive audit fees up or result in some firms eliminating this service offering altogether, thereby reducing competition and alternatives available for companies, audit committees, and investors when selecting external auditors.

Recommendation

We recommend the Commission perform further outreach with investors to determine whether the proposed reduction in companies that would be subject to ICFR audits would serve investors' best interest.

Five-year seasoning

Under the proposal, there would be a five-year seasoning period for all newly public companies prior to entry into the LAF category. The proposal requests feedback on the seasoning period, including whether a shorter period should be considered. The five-year seasoning period is consistent with the EGC status provisions. We recommend that the SEC consider whether certain disqualification provisions (such as those currently included for EGCs) are necessary for larger issuers. For instance, we have observed an increase in companies executing mega-cap initial public offerings. The proposal, as written, would allow the newly public mega-cap companies to take advantage of the SRC and EGC accommodations, and they would not be subject to an ICFR audit for five years following the IPO. It is unclear to us whether extended accommodations would befit the financial complexity of an issuer of such size.

Presentation of financial statements

Scaled disclosure alternatives pursuant to S-X Article 8

Under the proposed rule, NAFs (similar to SRCs) could elect to present the financial statements in accordance with Article 8 of Regulation S-X. NAFs electing this alternative would not be required to comply with the form and content requirements of other Regulation S-X articles, with limited exceptions. Based on Table 2 included in the proposal, approximately 30 percent of issuers currently qualify as SRCs and are eligible for this accommodation. Under the proposal, more than 80 percent of issuers could elect to present their financial statements in accordance with S-X Article 8, which we anticipate would result in more diversity in financial statement presentations. Unlike S-X Articles 5, 7, or 9, Article 8 does not include a prescriptive format for the balance sheet and income statement. We recommend that the Commission consider whether this change would make it more challenging for investors to compare financial and operating performance among their peer groups, thereby causing confusion and making it harder for them to make investment and voting decisions.

Additionally, there are certain disclosures required by S-X Rule 4-08 that are incremental to those required by U.S. GAAP. We request the Commission consider whether these disclosures would be material to investors in the newly exempt companies.

Deferred compliance with new accounting standards

The proposal would also allow all newly public NAFs to elect deferred compliance with new or revised financial accounting standards issued by the FASB for the first five years after initial registration with the SEC. We support this proposed amendment, as we believe that extending this accommodation to all newly public NAFs would provide a meaningful on-ramp before the registrant shoulders the full burden of compliance with such requirements. To the extent that the SEC includes disqualification provisions from the seasoning requirement for larger companies, we believe that this accommodation would apply only until the time when a company qualifies as an NAF.

****

We would be pleased to discuss our comments with you. If you have any questions, please contact Rohit Elhance, Partner-in-charge of SEC Regulatory Matters, at 202-861-4110 or Rohit.Elhance@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP